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Chile

Wine

Update Report

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Report Highlights:

The outlook for Chilean wine production is similar to last year's level of output, but with better quality and increased exports. Chile's vineyards are placing greater emphasis on improved quality in an effort to increase profits.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
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Executive Summary

As reported last February (ref report CI1010), Chile's total wine production is expected to continue to increase based on newly planted areas and replacement of existing vineyards with new improved varieties. The current forecast is that Chilean wine export value will reach at least \$875 million by the year 2003, on a volume of about 450 million hectoliters.

Chile has an estimated 8,000 producers of wine grapes. The wine industry has expressed certain concerns about the explosive increases in the planted area to vines for wine during the last few years. Total planted area has increased over 60 percent in the last 6 years. Industry sources indicate that once the new areas come into production, the annual additional output of wine will exceed 300 million liters, while exports will probably only grow by 30 million liters. As a result, it is estimated that more than \$700 million must be invested in additional storage capacity in the next few years.

Production

The new production forecast for MY 2000 (Jan-Dec, 2001) indicates a slight increase relative to our previous projection in February 2001 (ref report CI1010), in spite of measures taken by most wineries to increase pruning of grape bunches in order to direct more of the vines' energy to better quality grapes. Most wineries have also raised their quality specifications for grapes or grape musts from other producers.

Table 1: Chile - Wine Production, Consumption and Exports
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				Exports	
	Area Planted (Th. Has)	Production (Mill. Ltrs.)	Per Capita Consumption	Mill. Ltrs.	Mill. US\$
1982	105	603	52	8	11
1983	95	550	47	9	9
1984	78	500	42	9	9
1985	71	450	37	11	11
1986	67	460	33	12	13
1987	67	440	35	14	17
1988	66	423	35	17	22
1989	66	390	30	29	35
1990	65	398	25	43	52
1991	62	292	22	65	85
1992	62	370	17	74	119
1993	62	486	13	87	128
1994	53	411	13	111	143
1995	54	385	15	130	182
1996	56	481	16	185	294
1997	63	536	16	224	428
1998	75	547	17	251	540
1999	83	481	18	240	534
2000	90	660	15	276	585
2001	92	660	18	318	674
2003 1/	101	1,000	24	450	875
1/ FAS/Santiago forecast					
Source: National Agricultural Society (SNA) and Central Bank.					

Trade

The new forecast for Chile's MY 2000 wine exports is significantly higher than last year's levels. Improved quality and steady prices are expected to spur overseas demand.

Chile traditionally exports both bottled and bulk wine. While the volume of bottled wine exports has been increasing significantly every year, bulk wine exports increased at a slower pace. Bottled wine with a certificate of origin represented over 50 percent of total wine exports in calendar 2000. Currently, there are over 70 Chilean wineries that export wine. An estimated 50 percent of production is exported to more than 100 countries.

In spite of a sufficient quantities of table grapes available for domestic wine production, some wineries imported larger volumes of lower quality, low-priced wine for the domestic market in MY 1999. Wine imports are mainly in tetrapack cartons from Argentina. U.S. wine is also available, usually in premium outlets. However, demand is low due to prices well above the local market average. This explains much of the sharp decline for import of U.S. wine from 1999 to 2000. The tariff rate for U.S. wines in calendar 2001 is 8 percent ad valorem. There are also an 18 percent value-added tax and a 15 percent liquor tax applied to all wines sold in Chile.

Table 2: Chile - Wine Export Prices (FOB current US\$ per Hectoliter)				
	Champagne	Bottled Wine	Bulk	Average
1990	236	143	42	111
1991	225	162	56	180
1992	239	184	76	161
1993	244	186	62	148
1994	246	172	49	129
1995	243	223	73	140
1996	252	239	79	159
1997	262	261	108	191
1998	269	282	119	215
1999	233	290	108	223
2000	247	289	91	228
Source: Central Bank of Chile				

**Table 3: Chile - Real Domestic Farm Gate Wine Prices
(CH\$ Per Liter)**

1981	1985	1990	1996	1997	1998	1999	2000 1/
181	98	101	188	313	364	374	344

Exchange rate: US\$1.00 = CH\$571.

1/ Price for first 10 months of 2000 only. Prices are in January 2001 Chilean pesos.

Source: ODEPA (Ministry of Agriculture).

Stocks

Stock figures in the PS&D include wine which is in the aging process for both the domestic and export market. Stocks vary significantly from year to year depending on production fluctuations, particularly variations in the volume of table grapes going to wine. Stocks have increased in recent years as domestic sales and exports have not kept pace with increased production.

Policy

Wine production and exports are regulated and certified by the Agriculture and Livestock Service (SAG) of the Ministry of Agriculture. All wine produced in Chile for both the domestic and export markets is periodically sampled by SAG, which issues an export certificate that includes the wine's origin and quality. Strict labeling regulations are also enforced for both domestic and imported wines. The government provides no funds to support wine production or subsidize exports. However, ProChile, the export promotion bureau of the Ministry of Foreign Affairs, supports the wine industry in international shows to promote wine exports.

The Chilean government recently abstained from signing an accord among the New World Wine Producers group in Adelaide, Australia, in which the United States, Canada, Australia and New Zealand agreed to accept each others' wine production for the purpose of eliminating the principal non-trade wine barriers. Although most Chilean wine producers criticized the government for abstaining, there is no unanimous agreement among all Chilean producers nor the Ministry of Agriculture. While the larger wineries would like to join the agreement due their interest in expanding exports, smaller producers who focus on the domestic market oppose it.

PS&D Table - Wine

PSD Table						
Country	Chile					
Commodity	Wine				(1000 MT)(1000 HL)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
TOTAL Grape Crush	0	0	0	0	0	0
Begin Stock (Ctrl App)	0	0	0	0	0	0
Begin Stock (Other)	3576	3576	3276	3277	4120	4120
TOTAL Beginning Stocks	3576	3576	3276	3277	4120	4120
Prod. from Wine Grapes	4240	4240	5889	5889	6000	6100
Prod. from Table Grapes	566	566	715	715	500	500
TOTAL PRODUCTION	4806	4806	6604	6604	6500	6600
Intra-EU Imports	0	0	0	0	0	0
Other Imports	45	45	58	58	0	50
TOTAL Imports	45	45	58	58	0	50
TOTAL SUPPLY	8427	8427	9938	9939	10620	10770
Intra-EU Exports	0	0	0	0	0	0
Other Exports	2396	2396	2760	2759	3040	3280
TOTAL Exports	2396	2396	2760	2759	3040	3280
Dom.Consump(Cntrl App)	0	0	0	0	0	0
Dom.Consump(Other)	2755	2754	3058	3060	3200	3250
TOTAL Dom.Consumption	2755	2754	3058	3060	3200	3250
End Stocks (Cntrl App)	0	0	0	0	0	0
End Stocks (Other)	3276	3277	4120	4120	4380	4240
TOTAL Ending Stocks	3276	3277	4120	4120	4380	4240
TOTAL DISTRIBUTION	8427	8427	9938	9939	10620	10770

Export Trade Matrix - Wine

Export Trade Matrix			
Country	Chile		
Commodity	Wine		
Time period	Jan-Dec	Units:	HL
Exports for:	1999		2000
U.S.	459345	U.S.	550346
Others		Others	
U.K.	477975	U.K.	467424
Canada	240329	Canada	302201
Germany	123499	Germany	167310
Denmark	118908	Denmark	142253
Norway	100494	Japan	107797
Japan	95410	Netherlands	80839
Argentina	85413	Sweden	80531
Netherlands	70977	France	77536
Sweden	69071	Norway	68902
France	57803	Mexico	63945
Total for Others	1439879		1558738
Others not Listed	496742		650153
Grand Total	2395966		2759237

Import Trade Matrix - Wine

Import Trade Matrix			
Country	Chile		
Commodity	Wine		
Time period	Jan-Dec	Units:	HL
Imports for:	1999		2000
U.S.	111	U.S.	37
Others		Others	
Argentina	41641	Argentina	55450
France	2247	Spain	1599
Spain	531	France	454
Brazil	347	Italy	79
Italy	163	Germany	16
U.K.	69	U.K.	7
Portugal	22	Brazil	5
Germany	7	Belgium	3
Lebanon	1	So. Korea	2
Belgium	1	Switzerland	1
Total for Others	45029		57616
Others not Listed	59		683
Grand Total	45199		58336